

TENNESSEE REGULATORY AUTHORITY



502 Deaderick Street, 4th Floor
Nashville, Tennessee 37243

October 14, 2014

Jane Lewis-Raymond
Senior Vice President and Chief legal, Compliance
And External Relations Officer
Piedmont Natural Gas Company, Inc.
Charlotte, NC 28233

Dear Ms. Lewis-Raymond:

In order to assist the Authority in its evaluation of Docket No. 14-00086, *Petition of Piedmont Natural Gas Company, Inc. for Approval of a CNG Infrastructure Rider to its Approved Rate Schedules and Service Regulation* and Docket No. 14-00087, *Tariff Filing by Piedmont Natural Gas Company, Inc. to Revise the Natural Gas Vehicle Fuel Tariff and Introduce an Experimental Motor Vehicle Fuel Service Tariff. Tariff No. 2014-0126*, it is requested that you respond to the following:

1. Provide a five (5) year forecast, including a balance sheet, income statement and statement of cash flows, for Piedmont Natural Gas, Inc.'s ("Piedmont" or "Company") CNG operations by prospective location as set forth in Docket 14-00081 (i.e., Piedmont's own CNG station and any facility with an existing commercial business). The forecast should include (1) all revenues by source and USOA account/sub-account number(s) for each revenue source, (2) expenses by category with complete description and USOA account/sub-account number(s) for each booked expense, and (3) investments by category (including a distinction between distribution facilities and all other facilities necessary to provide CNG to customers including but not limited to Utility meters, distribution and gas lines, dryer, filters, storage facilities, gas compressors, facilities associated with sequencing and temperature compensation, card readers and dispensers) and the USOA account/sub-account numbers for each booked investment. Furthermore, indicate any revenue, expense or related investment that will be booked to non-regulated operations and the rationale for such distinction.

2. Provide the past three years financial results, including a balance sheet, income statement and statement of cash flows, for Piedmont's existing CNG operations. The financial statements should include (1) all revenues by source and USOA account/sub-account number(s) for each revenue source, (2) expenses by category with complete description and USOA account/sub-account number(s) for each booked expense, and (3) investments by category (including a distinction between distribution facilities and all other facilities necessary to provide CNG to customers including but not limited to Utility meters, distribution and gas lines, dryer, filters, storage facilities, gas compressors, facilities associated with sequencing and temperature

compensation, card readers and dispensers) and the USOA account/sub-account numbers for each booked investment. Furthermore, indicate any revenue, expense or related investment that will be booked to non-regulated operations and the rationale for such distinction.

3. Is CNG currently being sold by other commercial providers in Tennessee and are there any statutes precluding commercial providers from selling CNG to end users?

4. Assuming approval of Piedmont's tariff allowing customers to resell CNG, discuss whether these commercial providers' sales of CNG will be regulated by the Tennessee Regulatory Authority, some other governmental agency, the competitive marketplace or a combination thereof. Please disregard government regulations relating to safety.

5. Assuming that the sale and resell of CNG by commercial providers are unregulated (ignoring safety requirements), please discuss in detail the rationale and basis for Piedmont's proposed inclusion of CNG facilities into regulated operations rather than non-regulated operations. In your response, please distinguish between distribution facilities (gas lines and meters) and other CNG facilities (gas meter to dispenser).

6. Assuming the proposed CNG facilities do not recover their associated costs, discuss in detail the rationale and basis for Piedmont's remaining customers subsidizing this loss via higher rates/new riders in a competitive environment.

7. Are Piedmont's stockholders funding any portion of the existing CNG operations? If so, please state all amounts provided by stockholders to date. If not, discuss why they have not. Are Piedmont's stockholders funding any portion of the proposed CNG operations? If so, please indicate how much stockholders intend to fund. If not, discuss why they will not.

8. Has Piedmont sought or received any funding via government grants for its CNG projects? If so, identify all funding received. If grants are available and Piedmont has chosen not to apply, please state the rationale for not seeking such funds.

9. Does Piedmont have or propose any measures and/or safeguards to ensure that it provides CNG to its own facilities at the same rates, terms and conditions of service provided to Piedmont's customers that desire to resell CNG? If so, provide a complete list and description of each measure and/or safeguard. If not, discuss the rationale for not having such measures.

10. Tenn. Code Ann. § 65-5-103(d)(3)(A)(iii) states "Infrastructure that will provide opportunities for economic development benefits in the area to be directly served by the infrastructure." Please discuss and quantify all such economic benefits that will be generated if Docket 14-00086 is approved.

11. Discuss all other alternative fuel technologies that Piedmont has invested in.

12. Provide all studies conducted by Piedmont that support investment in alternative fuel stations.

13. Provide all requisite site requirements that Piedmont considers necessary before a CNG station is built.
14. Provide the name(s) of all affiliated companies that Piedmont will utilize in providing service at CNG stations.
15. Provide the name(s) of all non-affiliated companies that Piedmont will utilize in providing service at CNG stations.
16. Is it Piedmont's position that it can build CNG stations outside of its service territory? If so, indicate Piedmont's proposed plans for building stations outside of its service territory.
17. Provide the current CNG retail rate at Piedmont's CNG station, including each cost component used to derive such rate.
18. Provide electronic Excel files with working formulas for all workpapers (pages 1 through 4d) in the Computation of the CNG Infrastructure Adjustment.
19. How were the original capital costs associated with the CNG filling station located at Piedmont's Nashville Resource Center on Century Boulevard prior to the expansion and improvements occurring after March 2012 booked?
20. In what year was the existing CNG infrastructure on Century Boulevard built?
21. What is the current level of participation in the CNG market of residential customers under Rate Schedule 301?
22. See page 1 of the Company's workpapers computing the CNG Infrastructure Adjustment. Explain the Company's rationale for the using the customer class allocation percentage from the last rate case, which places 59.64% of the cost on the residential class, to distribute recovery of the CNG capital costs.
23. Explain the Company's rationale for not charging the Infrastructure Adjustment to the Special Contract customers.
24. Provide a complete calculation of the Common Equity percentage of 8.846% used in the Pre-tax ROR calculation of 11.446% on page 4b of the Company's workpapers.
25. Provide a complete calculation of the Composite Tax Rate of 39.23% used on page 4b of the Company's workpapers.
26. Provide the Account No. of the CNG Infrastructure Deferred Account.
27. Will the CNG Infrastructure Deferred Account operate similar to the Actual Cost Adjustment Deferred Gas Cost Account? Will the CNG Infrastructure Adjustment per therm be calculated on the ending balance in the CNG Infrastructure Deferred Account at June 30 (inclusive of interest) based on the allocation percentages established for the customer classes?

It is requested that you respond fully to this request no later than October 23 2014, and that Docket Nos. 14-00086 and 14-00087 be referenced on the response. In an effort to move the docket along expeditiously, it is requested that responses be provided sooner if available. Should you need clarification of this request, please contact me at (615) 770-6884 or Joe Shirley at 770-6888.

Sincerely,

A handwritten signature in black ink, appearing to read "D. M. Foster".

David Foster
Chief, Utilities Division

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Docket File: